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PACIFIC  **TELESIS**
Group-Washington

March 3, 1997

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Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Dear Mr. Caton:

Re: *CC Docket No. 97-21, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*

On behalf of Pacific Telesis Group, please find enclosed an original and six copies of its "Comments on Notice of Inquiry" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Alan F. Ciamporcero (JRB)

Enclosure

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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MAR 3 1997

Federal Communications Commission
Office of Secretary

In the Matter of

Changes to the Board of Directors of the National
Exchange Carrier Association, Inc.

CC Docket No. 97-21

COMMENTS OF PACIFIC TELESIS GROUP
ON NOTICE OF INQUIRY

I. INTRODUCTION

Pacific Telesis Group hereby comments on the Commission's *Notice of Inquiry*¹ regarding the suitability of the National Exchange Carrier Association ("NECA") to serve as the permanent administrator of the federal universal service fund. We believe NECA is well suited to this role. NECA has proposed changes to its organizational structure that will enable it to serve as the permanent fund administrator and to allay any concerns regarding its ability to do so in a fair, neutral manner. In essence, NECA proposes to form an entirely new company, the Universal Service Administrative Company ("USAC"), to manage the Commission's new universal service programs. NECA's other responsibilities -- for the access tariff and pooling arrangements -- will continue to be handled by NECA.

¹ *In the Matter of /Changes to the board of Directors of the National Exchange Carrier Association, Inc., Notice of Proposed Rulemaking and Notice of Inquiry*, CC Docket No. 97-21, FCC 97-11 (rel. Jan. 10, 1997) ("NOI").

Because NECA plans significant changes to its organizational structure in order to meet the Commission's criteria for an appropriate administrator, and has the experience and large-scale information processing and database capabilities that the Commission seeks, we urge the Commission to allow NECA via the USAC entity, to participate in the selection process for appointment as permanent administrator. NECA's experience will help ensure that the fund will be up and running without delay. Because the new universal program will be vital to customers in high cost areas, and to schools, libraries and health care providers, NECA's ability to "hit the ground running" will be key to successful and rapid implementation of the Commission's ultimate recommendations.

II. THE COMMISSION SHOULD ALLOW NECA TO PARTICIPATE IN THE SELECTION PROCESS FOR ADMINISTRATOR OF NEW UNIVERSAL SERVICE PROGRAMS

NECA has planned changes to its structure that will render it fully qualified to serve as permanent administrator of the universal service fund. The Joint Board recommended that NECA be allowed to participate in the selection process for permanent universal service fund administrator if NECA made changes designed to ensure it would 1) be neutral and impartial, 2) not advocate specific positions to the Commission in non-administration-related proceedings; 3) not be aligned with any particular industry segment, and 4) not have a direct financial interest in the support mechanisms established by the Commission. *NOI*, ¶ 14.

Implicit in the Joint Board's foregoing list of needed changes to NECA is a recognition that NECA is not inherently unsuited to be administrator. That is, NECA's prior close association with ILECs does not disqualify it from serving as administrator. Parties who claim NECA is categorically ineligible to assume the administrator role misconstrue the Joint Board recommendation. NECA can compete to serve as permanent administrator so long as it changes its structure. We believe the changes it proposes meet the Joint Board's concerns.

NECA plans several changes to its structure. NECA proposes to create a USAC subsidiary to administer the schools, libraries and health care aspects of the universal service program on an interim basis. The USAC's Board will have a balanced, representative membership based on Commission recommendations, and will include representation from the NECA Board as well as from schools, libraries and health care providers.

The USAC entity will participate in the selection process for permanent administrator, and, if selected, will be directed from NECA. The preexisting NECA company will continue to engage in much of the activity NECA has traditionally handled (*see NOI*, ¶ 17), such as management of the NECA access tariff, pooling and revenue distribution, and handling average schedule requirements for member companies, including advocacy before the Commission and other entities on behalf of pool members. Its Board continue to will consist of representatives from the pooling companies as well as outside directors.

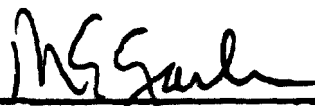
III. CONCLUSION

NECA has the experience, the large-scale information processing and database capabilities (*NOI* ¶ 16), and the will to serve as permanent administrator. It has proposed changes in its organizational structure that will meet any concerns about its neutrality. We respectfully request that

the Commission allow NECA to participate in the selection process for appointment as permanent administrator of the universal service fund.

Respectfully submitted,

PACIFIC TELESIS GROUP


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